

## Sustainability Strategies

# Sustainability

In July 2023, we established the Sustainability Committee to explore a form of growth that does not place an excessive burden on society. The committee is chaired by the Representative Director, President and Executive Officer. What role should we play in society in response to demands for sustainability? We are committed to addressing social issues and working with society in the three business domains of chemicals, toll processing, and engineering.

## Aiming to “make effective use of limited resources and realize an affluent, sound society”

Our corporate philosophy is: “We are contributing to the effective use of limited resources on planet Earth, creating new value of resources through surface modification of all kinds of materials, preserving the global environment, and realizing an affluent society.”

Since we introduced Japan’s first rust prevention technology (phosphate conversion treatment technology), we have contributed to a wide range of fields, from core industries to cutting-edge industries in surface modification, mainly for metals. As a leader in surface modification, we recognize the social responsibility that comes with our corporate activities, and we will strive to meet society’s expectations. We aspire to develop the Company through these efforts and help create a sustainable society.

### Sustainability Basic Policy

1. The Nihon Parkerizing Group is committed to realizing a sustainable society and increasing its corporate value by providing its products and services.
2. The Nihon Parkerizing Group will actively seek to provide environmentally friendly products and services and ensure safety and quality.
3. The Nihon Parkerizing Group aims to realize a society where diverse human resources can play an active role through respect for human rights and equal employment opportunities.
4. The Nihon Parkerizing Group will engage in fair and sincere corporate activities, with appropriate and timely information disclosure and proactive communication with stakeholders.

## Tackling climate change -- Initiatives based on TCFD recommendations and the challenges to achieve carbon neutrality --

Nihon Parkerizing announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in January 2024 and has joined the TCFD consortium, composed of companies and financial institutions that support the recommendations. We are committed to ensuring accountability to our stakeholders regarding the progress of our response to climate change through the disclosure of information in line with the TCFD framework. In addition, we will take appropriate actions based on our assessment of the business and financial impact of the risks and opportunities identified in our climate change scenario analysis.

### Governance

In July 2023, we set up a Sustainability Committee to achieve sustainable growth under our management philosophy while also enhancing both economic and social value. We continue to pursue initiatives related to sustainability, including those related to climate change, in response to rising demands and expectations that companies contribute to the realization of a sustainable society.

This committee meets four times a year to discuss the scenario analysis results based on the TCFD recommendations,

issues related to measures to address climate change, and issues associated with establishing and progressing toward qualitative and quantitative targets. The committee reports these deliberations to the Executive Committee and the Board of Directors at least once a year without delay. The Board of Directors oversees the company’s sustainability activities.

#### The Sustainability Committee met in

July, August, and November in 2023, and in May in 2024.

### Strategies

Based on short-, medium-, and long-term time perspectives, we have assessed and identified risks and opportunities that we estimated would have a significant impact on our business, from among transition risks attributed to policies, regulations, and market changes that climate change will bring to the value chain, as well as physical risks such as extreme weather events, according to the risk and opportunity assessment process that we have established. In addition, we have conducted a scenario analysis of how our business environment could have changed in 2030 from a long-term perspective, given the unique nature of the issue of climate change.

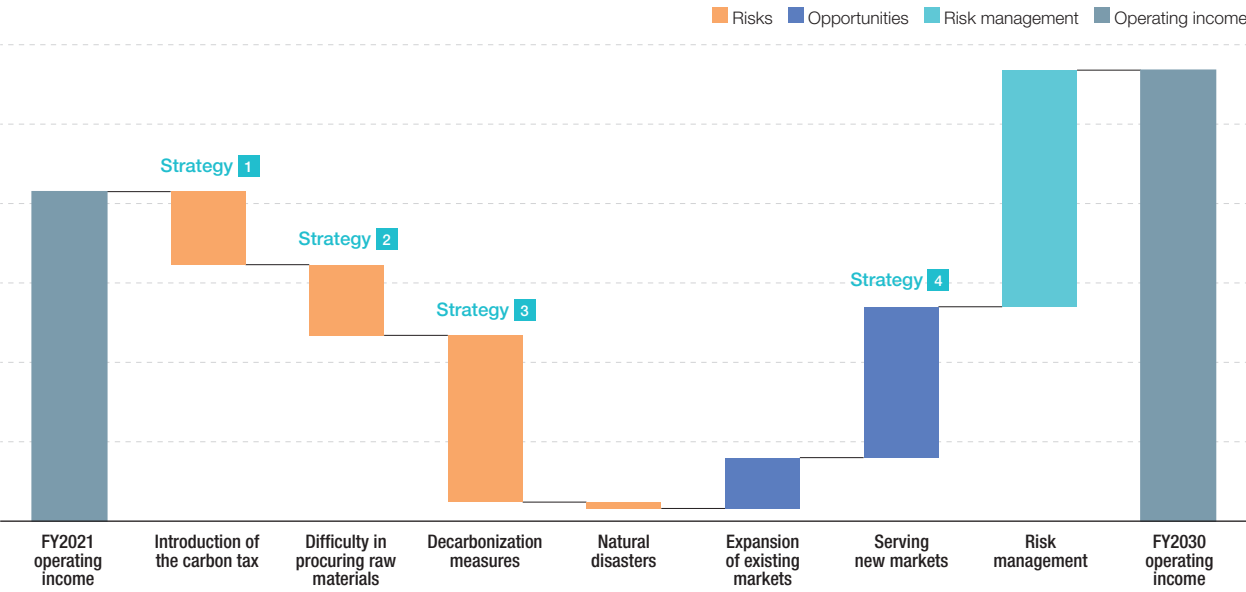
In the scenario analysis, we referenced multiple existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We assumed three scenarios: the below 1.5 °C scenario, the below 2 °C scenario, which assumes that decarbonization has accelerated, and the 4 °C scenario, where the temperature will rise most sharply. The risks and opportunities expected to impact the business significantly were identified as follows, and we quantified the financial impact in 2030 to the extent possible.

\* Reference scenarios: Transition risk: IEA NZE, IEA APS, IEA STEPS  
Physical risk: SSP1-1.9, SSP1-2.6, SSP5-8.5

### Scenario analysis (below 1.5°C scenario)

Scenario	Type of risk/opportunity		Impact on business		Time span			Overall evaluation	Remedies
					Short term	Medium-term	Long term		
Below 1.5°C	Transition risks	Policy and legal regulations	Decarbonization policy breakthrough	Cost increase resulting from the introduction of carbon tax and use of carbon credits		●	●	Medium	<ul style="list-style-type: none"> <li>Promotion of energy conservation</li> <li>Shifting to renewable energy-based power</li> <li>Use of solar power generation for inhouse consumption</li> <li>Improvement of operating rate through intensive and concentrated operation</li> </ul>
				Difficulty in procuring raw materials		●	●	Medium	<ul style="list-style-type: none"> <li>Enhancing supplier engagement</li> <li>Promoting multi-sourcing</li> <li>Product development with a view to purchasing and using alternative raw materials</li> </ul>
		Market	Demand for decarbonization and energy conservation	Growing customer demand for low-carbon products and services		●	●	High	<ul style="list-style-type: none"> <li>Studying potential and apparent demands and issues and promoting research and development</li> <li>Enhancing customer engagement</li> <li>Expanding the lineup of environmentally friendly products</li> <li>Promotion of CFP calculation for products and services</li> <li>Promotion of energy conservation</li> </ul>
	Physical risks	Acute	Increase in natural disasters	Responding to technological innovations on the customer side		●	●	Low	<ul style="list-style-type: none"> <li>Enhancing supplier engagement</li> <li>Promoting multi-sourcing</li> <li>Product development to use alternative raw materials</li> </ul>
				Difficulty in procuring rare raw materials Shutdowns resulting from natural disasters caused by extreme weather conditions	●	●	●		
	Opportunities	Products and services	Market changes	Expansion of existing markets		●	●	Low	<ul style="list-style-type: none"> <li>Studying potential and apparent demands and issues and promoting research and development</li> <li>Enhancing customer engagement</li> <li>Launching decarbonized products early enough to attract customers</li> </ul>
				Serving new markets		●	●	High	<ul style="list-style-type: none"> <li>Studying apparent demands and issues and promoting research and development</li> <li>Developing tailored products</li> <li>Materializing environmentally friendly products by accelerating development</li> </ul>

Financial impact in 2030 under “the below 1.5°C scenario”



Key strategies based on the below 1.5°C scenario

**Strategy 1**  
Introduction of the carbon tax

We estimate that carbon discharge from business activities will increase with business growth if we take no remedial action. Assuming the introduction of a carbon tax, the impact on operating income could be hundreds of millions of yen. We have, therefore, set an ambitious emissions reduction target of reducing CO<sub>2</sub> emissions per unit of sales (Scope 1 and 2) by 30% (compared to FY2020) by 2030 and will ensure that we promote measures to address this risk.

**Strategy 2**  
Difficulty in procuring raw materials

We anticipate that the procurement of new raw materials may be required due to environmental regulations. If it is difficult to procure raw materials, the impact on operating income could be billions of yen. As we have set “taking responsibility for creating a sustainable society” as one of our key issues (materiality), we will establish a stable supply system for raw materials in cooperation with suppliers. Further, we will seek to develop products using alternative raw materials and switch to alternative products as appropriate.

**Strategy 3**  
Decarbonization measures

There is growing demand from customers for decarbonization. Failure to meet this demand could result in a decrease in orders and the loss of billions of yen in operating income. We have set the development of products and services that contribute to achieving the SDGs as one of our key issues (materiality). To contribute to achieving a carbon-free society, we will work to reduce the environmental impact of our customer’s manufacturing processes and promote the calculation of the carbon footprint (CFP) of each product and service to visualize CO<sub>2</sub> emissions, thus promoting measures to address this risk.

**Strategy 4**  
Serving new markets

The movement toward carbon neutrality is accelerating worldwide, with the rapid expansion of decarbonization markets and the development of innovative technologies required in these markets. As we have set “creating a more affluent society through surface modification technologies” as one of our key issues (materiality), we will actively develop products for new markets based on the proprietary surface modification technologies we have cultivated over many years as a leading company.

Risk management

Process for identifying and assessing climate-related risks

At Nihon Parkerizing, our Sustainability Committee identifies and assesses climate risks. In contrast, the Risk Management Committee identifies and evaluates other business risks.

The Sustainability Committee conducts scenario analysis based on TCFD recommendations to identify critical risks and opportunities and assess the degree of impact.

For business risks, climate-related transition and physical risks were identified and assessed using a standard risk sheet for the Company as a whole, considering risk assessment criteria, such as impact and probability of occurrence. The impact is evaluated on a four-point scale based on operating income. In contrast, the probability of occurrence is assessed on a four-point scale based on the frequency of occurrence. Ultimately, risks are rated on a 16-point scale

based on their importance, and priorities to be addressed (comprehensive evaluations) are set by examining risks in relative terms.

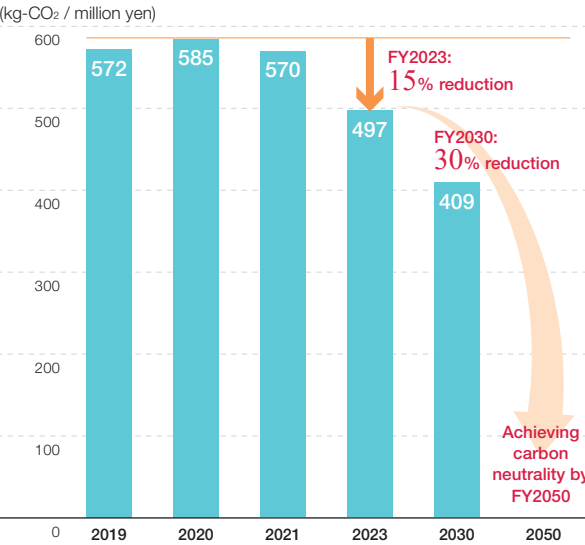
climate-related risk management process

We are developing activities to continuously improve the planning, implementation, progress and management of measures to address risks in our business and other activities based on their importance. We reflect measures to tackle climate-related transition risks and opportunities in our environmental strategy, incorporate them into our targets and plans, promote and develop environmental performance improvement and risk management efforts, and make improvements through the PDCA cycle.

Metrics and targets -- initiatives for carbon neutrality --

To achieve carbon neutrality by 2050, the Company aims to reduce its Scope 1 and 2 GHG emissions by 5% by FY2024 and by 30% by FY2030 on a non-consolidated basis compared to FY2020. We are actively introducing renewable energy sources and considering continued energy-saving activities, including the generation of solar power for our consumption. We expect to meet the FY2030 target ahead of schedule. We plan to set GHG emissions reduction targets for ourselves and our domestic consolidated subsidiaries. The entire Group is committed to achieving carbon neutrality.

Trends in Scope 1 and 2 CO<sub>2</sub> emissions per unit of sales on a non-consolidated basis)



Integration with comprehensive risk management

The Group has established a Risk Management Committee to effectively and efficiently manage various risks that may hinder the achievement of its business objectives. This committee supervises risk management activities focused on management risks (operational risks), evaluates such risks, manages them, examines measures to address them, and reports to the Internal Governance Committee. The Sustainability Committee takes the lead in managing risks related to climate change, and the two organizations work closely and cooperatively with each other in company-wide risk management activities.

Scope 1, 2, and 3 emissions in FY2023 at the Company alone and the Group

	The Company alone	The Group*
Scope 1	10,803	29,224
Scope 2		
Market-based emissions	9,607	24,015
Location-based emissions	9,176	23,297
Scope 3		
Category 1	91,145	173,000
Category 2	5,829	22,219
Category 3	4,492	11,763
Category 4	5,466	15,220
Category 5	1,294	3,279
Category 6	185	347
Category 7	575	1,082
Category 11	-	222,895
Category 12	52,953	57,402

\* The emissions of the following companies were measured: Nihon Parkerizing Co., Ltd., Parker Engineering Co., Ltd., Parker Processing Co., Ltd., Oita Parkerizing Co., Ltd., Komatsu Parkerizing Co., Ltd., Japan Kanigen Co., Ltd., Hamamatsu Netsushori Kogyo Co., Ltd., Million Chemicals Co., Ltd., and Kyodoyuso Co., Ltd.

GHG emissions in Scope 1, 2, and 3

To ensure the transparency and reliability of the disclosed GHG (greenhouse gas) emissions, in FY2023, we received assurance from an external organization (SOCOTEC Certification Japan K.K.) as a third party.



QR code for third-party certification

## Environmental Initiatives

The Nihon Parkerizing Group is committed to developing products that solve environmental issues at the production stage and the stage of customer use to “effectively use limited resources and realize an affluent, sound society.”

### Environmental policy and ISO 14001

To contribute to protecting the global environment, we have established environment policies and obtained ISO 14001 certification, the international standard for environmental management systems. We engage in various activities such as strengthening our corporate structure, developing environmentally friendly products, saving energy and resources, and reducing waste.



ISO 14001 certificate of registration



Annexes to ISO 14001

#### Environmental policy

1. The Nihon Parkerizing Group will comply with all relevant laws, regulations, and agreements and operate its business while considering biodiversity and giving the highest priority to environmental protection.
2. The Nihon Parkerizing Group will contribute to society by developing and marketing environmentally friendly products and technologies.
3. The Nihon Parkerizing Group will seek to reduce GHG emissions throughout its value chain to realize a low-carbon society.
4. The Nihon Parkerizing Group will strive to reduce the environmental impact of its business activities by effectively using resources and appropriately managing chemical substances.

(Note) In this environmental policy, water is included as a resource.

### Initiatives to reduce the environmental load

#### Promotion of energy conservation

- 1 Achieving both energy reduction and high efficiency with optimal processing methods
- 2 Saving energy with initiatives including appropriate management of electricity and gas use and use of waste heat
- 3 Developing chemicals and expanding their lineup with a focus on low temperature and long life
- 4 Reducing industrial waste in the treatment process
- 5 Efforts to develop process equipment and systems aimed at reducing CO<sub>2</sub> emissions from various industrial machinery

#### Development of environmentally friendly products

The Group's surface modification technologies contribute to solving global environmental issues such as resource conservation, energy conservation, and high efficiency by adding various functions to the surface of materials, such as corrosion resistance, wear resistance, and lubrication. As a leading

company in surface modification, we are promoting the development of technologies for reducing environmental impact, such as replacing hazardous substances with chrome-free, phosphorus-free, sludge-free, or similar substances, reducing hazardous substances, and achieving zero emissions.

#### For a circular economy

The Nihon Parkerizing Group considers low-carbon processes and decarbonization when designing chemicals. It uses recyclable containers for the chemicals it sells. In addition to reducing industrial waste, the Group thoroughly manages disposal to ensure it is appropriately handled.

### Approach to water resources

We use Baseline Water Stress, an Aqueduct Country Ranking evaluation indicator developed by the World Resources Institute, to check the water stress conditions in the countries where the Group's business sites are located. We manage our consumption of water as a precious resource and strive to use water resources effectively. We reuse drain water from boilers (75-90 °C) as a heat source for heat exchangers (Platecoils) in chemical engineering processes. Additionally, we use cleaning water and condensates from heated steam cleaners as makeup water for the showering of scrubbers (exhaust gas treatment equipment).

Baseline Water Stress	Countries where our business sites are located
Extremely high	India
High	Belgium, Mexico
Medium-high	Thailand, Korea, China, Indonesia
Low-medium	US., Japan, Philippines
Low	Taiwan, Vietnam, Malaysia

Created based on scores by country for Base Water Stress used in Aqueduct from the World Resources Institute

### Chemical substances management

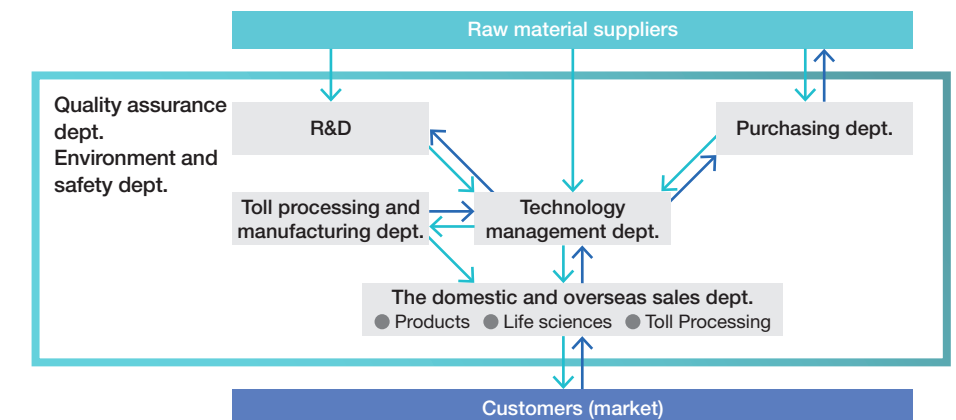
To fulfill our social responsibility as a chemical manufacturer that manufactures and sells chemical products, we have formulated a policy for the management of chemical substances in products and established a Chemical Substance Management System (hereinafter referred to as CMS). We collect, manage, and communicate complex and voluminous information on the hazards, toxicity, and risk assessment of chemical substances based on domestic and international laws and regulations, as well as customers' standards, and

share this information internally for CMS activities.

In addition, we conduct surveys of suppliers about chemical substances contained in products under our Green Procurement Guidelines. By controlling chemical substances contained in our products and identifying chemical substances of concern for hazardousness, we manage and reduce the risk of chemical substances for people and the environment throughout the entire supply chain.

#### CMS management system

To provide appropriate information to our customers, we have established a system in which the seven sectors concerned cooperate and collaborate under the supervision of the management, chief administrator, and chemical substance control supervisor to manage chemical substances in products.



\* Arrows indicate information flows.

#### Measurement of soot and dust

We have two facilities where the measurement of soot and dust is required. Measurement is conducted twice a year. The results are as follows. Measurement method: JIS-Z-8808 (filtration collection method) Measurement results: below 0.001 g/m<sup>3</sup> (below the detection limit)



## Research and Development

We will celebrate our 100th anniversary in four years. But this is not our goal. We must understand what we should do to contribute to society beyond this milestone. To pass on technologies suitable for a better environment than what we have today to future generations, we must contribute to a decarbonized society.

We have “the new Parker Techno-Village R&D system, which, we are proud to say, is a big step toward our policy for this fiscal year, “Challenges for Change.” It is based on the concept of open innovation. Working with customers, we are strengthening the new R&D system to prepare for many different social issues in the future.

### Research and support system

The Central Research Laboratories constitute the development center that provides the basis of our technologies. Here, we engage in basic research and product development for customers worldwide. In addition to the Central Research Laboratories, we have created several technical centers in Japan and overseas to improve products and provide timely technological support by working close to our customers.

Meanwhile, we are currently renovating the Central Research Laboratories to expand and strengthen our research and development system for the future.

“Parker Techno-Village,” a new laboratory based on the concept of open innovation, will open in 2025.



Central Research Laboratories extension (scheduled to open in 2025)

### Global R&D structure for regional management

Dividing the overseas market into three markets, China, India/ASEAN and another region that includes Japan, and establishing a development hub in each of these regions facilitates quick technological development to meet needs in the individual regions and builds a system that is able to closely follow customers to provide technical support.

The system is compatible with a broad range of services leveraging the Group's comprehensive strengths, such as product development in line with the performance required by customers and their environment for using the products, the proposal of solutions to technical challenges and the provision of technical consulting and marketing services.

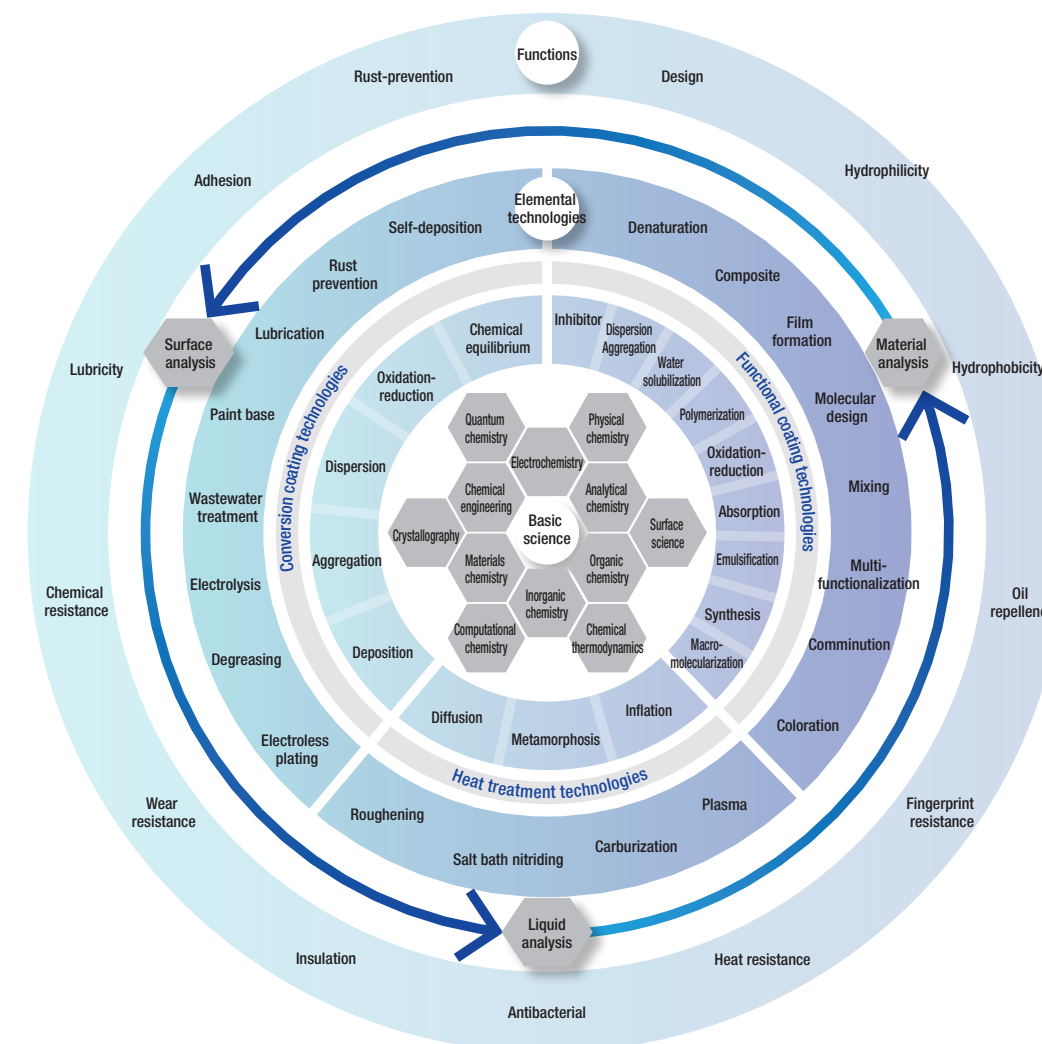


### Strengthening core technologies and R&D

Our research and development activities pursue a chemical equilibrium based on enabling metal surfaces to have anti-rust and anti-abrasion properties through chemical reactions. We pursue a state of chemical equilibrium and enable all surfaces to have new features in our efforts to develop new technologies to help solve social issues and achieve a decarbonized society. We also use our core technologies, such as conversion coating, heat treatment and functional coating, to actively address environmental issues and provide eco-friendly products to a broad range of industries.

#### Challenges for Change in R&D

- 1) Develop surface modification technologies to contribute to a decarbonized society, such as technologies related to EVs and hydrogen
- 2) Develop surface modification technologies to contribute to the environment, such as energy saving and high efficiency equipment and the reduction of energy loss.
- 3) Develop 3R technologies contributing to an SDG-conscious circular economy
- 4) Promote open innovation and discover seeds of new businesses



## Community Activities

The Nihon Parkerizing Group has established its policy on Social Contribution Activities and is guided by this policy. We engage in various activities together with people from local communities.

### Social Contribution Activity Policy

As a member of a regional society, we engage in diverse activities tailored to local demands. We strive to coexist and cooperate in harmony with local communities, working hand-in-hand with governments and residents.

#### Social Contribution Activity Policy

1. The Nihon Parkerizing Group will work to achieve harmonious co-existence between each of its business sites in Japan and other countries and the local community in the area where they are located, thereby contributing to the sustainable development of local communities.
2. The Nihon Parkerizing Group will collaborate with local communities to engage in community-based activities, including environmental protection activities
3. The Nihon Parkerizing Group will develop a corporate culture that will enable employees to participate in social activities voluntarily as members of the local community.

### Support for children's learning and safety

We support Children's Rights and Business Principles and are actively committed to supporting children's education and health. More specifically, we organize lectures on the daily prevention of infectious diseases and donate Pal-Feel, an antiviral and antibacterial spray for general consumers whose antibacterial effect lasts for about two months. Going forward, we will respect children's rights and remain dedicated to the support of education and health.



### Support for people affected by disasters (donations to relief funds)

To support the people affected by the 2024 Noto Peninsula Earthquake, the Nihon Parkerizing Group donated a total of 10 million yen to a relief fund via the Japanese Red Cross Society.

### Social activities of overseas companies

#### THAI PARKERIZING CO., LTD.

##### Mangrove planting

Since the Bang Pu area is close to the sea, contaminated seawater and soil erosion are problems there. To control these problems, the locals plant many mangroves. In 2022, Thai Parkerizing participated in a mangrove planting project along the shore in Bang Pu near its head office. In 2023, the company independently engaged in activities such as planting trees and collecting garbage inside the industrial park.



##### Supporting children who have their whole future ahead of them

Thai Parkerizing gave a one million baht scholarship to 189 junior high and high school students via OBEC (Office of the Basic Education Commission) to support the education of financially disadvantaged young people who have their whole future ahead of them. Donations are used for purposes such as buying teaching materials and uniforms. Also, our colleagues at Thai Parkerizing visited a neighboring elementary school to donate bicycles, stationery, computers and monitors that were no longer used as other school supplies and play equipment. The colleagues interacted with the pupils by eating lunch with them and participating in other school activities.



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#### P.T. PARKER METAL TREATMENT INDONESIA

##### Supporting orphanages

The company donated confectioneries to orphans at As-Syifa orphanage located in West Java, Indonesia and the facility manager so that the children could eat them during the big festival held after the fast observed by Muslims.

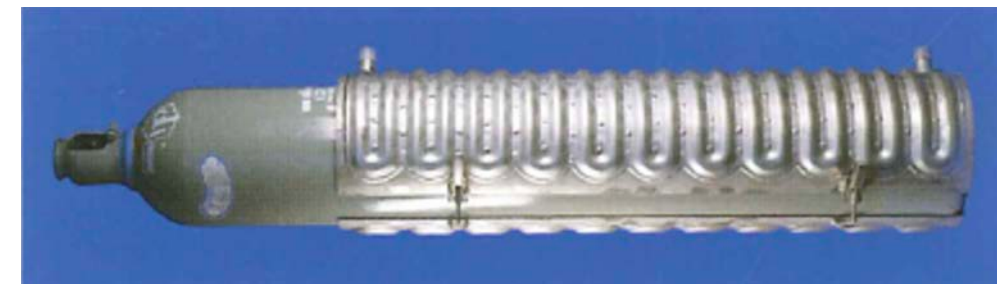


### Hot Topic: Industrial machinery

The Platecoil is a heat exchanger made from a steel plate with a trapezoid fluid flow pattern embossed into it. Heat exchange involves allowing the heat medium (e.g., vapor, heat transfer oil) or refrigerant (e.g., water, chilled liquid, CFCs) to pass through an embossed sheet to heat or cool an object (e.g., raw material, liquid solution) that contacts the lateral surface.

The product is mainly used in heat management systems in the chemical, food and semiconductor industries. It is also gradually finding uses as an environment-friendly component of waste heat-powered devices.

In recent years, we have collaborated with local municipalities in the development of a gas cylinder device that facilitates efficient energy use. The Platecoil heats the gas inside a cylinder, enabling maximal gas use with very little gas remaining in the cylinder. Cooling the gas enables the efficient and stable filling of the cylinder.



Example uses of cylinder warmers  
Used as a cylinder heater: Warm water (40 °C or below)  
Used as a cylinder cooler: Cold water, brine.

### Hot Topic: Engineering Business

In October 2023, Parker Engineering fully renovated its Technical Development Center to enable it to meet the diverse needs of customers.

The center ensures the availability of many different environments for demonstrations, such as demonstrations involving the latest solvent and powder coating systems, cleaning machines and multipurpose drying furnaces. A remote lab may also be provided to customers who cannot visit the center.





## Respect for Human Rights

The Nihon Parkerizing Group aligns with many human rights-related principles, including the UN Universal Declaration of Human Rights. The Group has also established its Human Rights Policy and Guidelines and advances initiatives in accordance with them.

### Respect for human rights

The Nihon Parkerizing Group aligns with the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and fundamental principles of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. We have also established the Nihon Parkerizing Group Human Rights Policy to ensure that human rights are respected. In addition, as a company trusted by society, we will strive to maintain and improve a safe and secure workplace.

#### Human Rights Policies

1. The Nihon Parkerizing Group will comply with the laws and regulations of the countries and regions in which it operates, support and respect international norms related to human rights, and fulfill its responsibility to respect human rights.
2. The Nihon Parkerizing Group will eliminate unfair discrimination and any form of harassment in the workplace and respect labor rights.
3. The Nihon Parkerizing Group will strive to promote respect for human rights throughout its supply chain.
4. The Nihon Parkerizing Group will prevent adverse human rights impacts. It will take prompt and appropriate action when it identifies contributing or complicit violations.

### Human rights due diligence

The Nihon Parkerizing Group regards respect for human rights in its business activities as an essential goal. It has established a human rights due diligence system based on international fundamental principles. Risks are researched in this system. If our business activities may or have been shown to affect human rights adversely, proper corrective or relief measures are implemented.

We conducted a questionnaire of Nihon Parkerizing employees in FY2023 and companies of the Group in Japan and overseas regarding risks in general, including human rights risks, to analyze and assess human rights risks. Based on the results of this assessment and other information, we will prioritize the human rights risks, proceed with initiatives in a phased manner and reinforce measures to prevent and mitigate risks in FY2024.

### Mechanism for relief measures

The Nihon Parkerizing Group has established an office to receive whistleblower reports of human rights infringement and harassment. We promptly investigate the facts of matters reported to us, seek advice from attorneys or external specialized institutions if necessary, and provide guidance, instructions, and training to parties involved to remedy and resolve problems appropriately. We protect the privacy of the

people who report incidents or consult with the office and exercise sufficient care to ensure that these people are not mistreated.

Fiscal year	FY2021	FY2022	FY2023
Number of whistleblowing reports	9	24	26

### Human rights awareness-raising activities

All employees are provided with e-learning programs in addition to the training programs conducted when they join the company or are promoted. The goal of these programs is to enable employees to have a correct understanding and recognition of human rights.

Furthermore, we publish the Compliance Newsletter every month and provide compliance training every year.

We will continue to provide training to enable employees to increase their knowledge of human rights and correctly understand related issues.

#### Percentage of employees who have taken the e-learning course on business and human rights

**98.5%** (1,228 out of 1,247 employees)

## Human Resource Strategies

The Nihon Parkerizing Group considers human resources to be one of the most critical management assets. The Group considers securing and developing human resources to be essential for its human resource strategies. We put significant effort into the development of diverse human resources that will support the Group's growth in the future and into building an organization capable of maximizing the vitality of its human resources.

### Basic approach to promoting diversity

According to the words of our founder, "The foundation of the business is people." We recognize the need to respect the values of every employee and to make the most of each other's strengths to continue to meet the diversifying needs of our customers amidst the rapid progress of globalization. The Nihon Parkerizing Group strives to ensure that everyone

who engages in operations related to the Group can stay vibrantly active.

We are committed to promoting diversity so that individual employees can leverage their diverse personal qualities and maximize their abilities.

### Diversity promotion initiatives

#### (1) Promote the career advancement of female employees

We set a target of having 10% of our managerial-level employees be female employees by 2030, believing that the promotion of the career advancement of female employees is a critical managerial issue that we face.

We are pushing forward with initiatives such as the improvement of training opportunities to develop candidates for managerial-level positions and the expansion and improvement of the childcare leave system. These initiatives will be actively promoted through the development of a workplace environment that allows employees to balance work and childcare, irrespective of their gender.



Use this QR code to see our past initiatives

#### Percentage of people in managerial-level positions that are female employees

As of March 31, 2024 **2.5%** → 2030 target **10%**

#### (2) Global Human Resources

With the development of our overseas business, we are focusing on recruiting global human resources. We are proactive in recruiting foreign nationals overseas and creating an environment for the acceptance of cross-cultural human resources as part of our commitment to diversity. In addition to language training focusing on speaking skills, we provide overseas training to young employees based on our belief that overseas experience is essential.



We also launched the "Global Associates Program" to accept technical staff from overseas Group companies to our technology centers in Japan. Through this initiative, we conduct technological, cultural, and other exchanges in various areas to invigorate the entire Group.

#### (3) Employment of people with disabilities

In cooperation with special needs schools, we are developing a system for continuously hiring people with disabilities. Through internships, they directly experience our workplace environment and workstyles, and this leads to employment opportunities. We established a farm-type service to employ people with disabilities and offer workplaces where people with disabilities can work energetically. We are committed to increasing people's understanding of company-wide diversity through the interactions of employees regardless of ability. Harvested vegetables are donated to nonprofit organizations and are provided to local consumers at food pantries. In this way, through the initiative, we also contribute to society and the regions where we operate.



#### (4) Recruitment of foreign nationals

Every year, we hire people of many different nationalities who have undergraduate and graduate degrees. In fiscal 2023, employees of multiple nationalities joined the Group. We currently work with 18 colleagues from seven countries.

Image of an ideal employee

Based on Vision 2030, the Nihon Parkerizing Group has defined the three qualities below as required, and it endeavors to secure and develop human resources.

Image of an ideal employee

- 1. Able to change in line with the changes of the times.
- 2. Highly specialized, resistant to environmental change and independent.
- 3. Have a global perspective, examine different ideas and technologies from around the world, learn in a self-directed manner and put them to practical use.

In accordance with these definitions, we remain up to date on the gaps between the facts and the ideals and make efforts to fill these gaps. Employees are evaluated, and their improvement is enabled in terms of their skills, capabilities, motivation, and organizational perspective. Our human resources are strengthened, allowing the Nihon Parkerizing Group to establish its ideal corporate culture.

The human resource behavioral evaluation was revised in fiscal 2022, and new evaluation criteria were introduced in fiscal 2023. The revision enables motivated and skilled employees to assume jobs with greater responsibility at an early stage. It can inspire employees' self-directed motivation to improve. This revision should also help revitalize the organization.

Human resource development

Nihon Parkerizing is advancing various initiatives, such as the introduction of training and educational programs, with the goal of developing from a long-term perspective. These human resources are proactive, dynamic, creative and capable of pursuing global careers. In addition, to systematically develop the next generation of leaders, we offer a step-by-step training

program for all employees.

The number of hours and expenses allocated to capacity-building training for our employees in FY2023 was as follows.

Number of training participants  
**346**  
(919 eligible people)

Total training hours  
**7,847**

Cost of training per person  
**¥55,239**

Schematic diagram for ability development programs

Position		Training provided outside the workplace							Work- place training	Other	
		Human skills		Technical skills	Specialty (elective)						
Managerial positions	General- manager level	Management strategy training		Practical corporate account- ing course	TOEIC training	Training for developing global human resources (languages)	Pre-assignment training for expatriates (culture, customs, environment, procedures)	Compliance training	Information security training	Daily individual training (OJT)	Self-development (incentive program encouraging acquisition of qualifications)
	Section- manager level	Managerial-level employee training <small>Business administration courses, training for new managers</small>									
Supervisory positions	Assistant- manager level	Assessment training for manager candidates <small>Managerial competence and aptitude</small>									
		Senior supervisor training			TOEIC training						
		Senior manager assessment training <small>Managerial competence and aptitude</small>									
		New supervisor training			TOEIC training						
Non-managers		Mid-level employee training			TOEIC training						
		New employee training <small>Product knowledge, practical training</small>			TOEIC training						
		New employee training <small>Education on business manners, company rules and safety and health</small>		Presentation skills training							
		Prospective employee training									

Creation of a comfortable working environment

Pursuing employee happiness and achieving a high level of self-fulfillment are among the most crucial aspects of our continued existence. To bring our employees as close as possible to this ideal, we provide a range of support according to their life stages. The creation of a pleasant work environment also leads to higher labor productivity. We have established programs for leave, leave of absence, working hours,

and income considerations for life events such as childcare and nursing care. We are working to make these programs known to all employees. We also support flexible work styles through telework and flextime systems. These systems have become widely available, enabling employees to work flexibly and efficiently.

Proper management of work hours and elimination of long work hours

We seek to prevent long work hours and thorough compliance in an effort to ensure proper management of work hours. More specifically, employees' attendance is thoroughly managed so that no one works overtime for longer than 45 hours a month. Also, we review our operational management and ensure that jobs are not concentrated on specific employees. These efforts are communicated to our domestic

subsidiaries through meetings of presidents of the Group's companies and meetings of administrative managers. In this way, we will keep working to develop suitable working environments.

Average overtime hours  
**11.8** hours/month

Work-life balance initiatives

We encourage flexible, diverse workstyles in ways that enable everyone to fully demonstrate their capabilities irrespective of differences in attributes such as age, gender, or having a child or other person to care for. We also develop and improve workstyles and suitable environments that enable employees to take leave to enrich their lives both at work and at home so that they can use their limited time in the most efficient ways.

Since January 2024, both male and female employees have been entitled to partial pay during childcare leave. Year on year, significant improvements have been achieved in terms of male employees' taking childcare leave. The male employees who took childcare leave look back on the experience positively. One employee said he keenly felt how difficult caring for children is while he was spending valuable time with his newborn baby. Another said that he was able to return to work without significant problems due to the support of his coworkers. To enable all eligible employees to take

childcare leave, we will communicate information to change employees' way of thinking and improve the environment that allows them to do so.

We will continue to strive to improve productivity and employees' work-life balance by pursuing workstyles that enable each individual to achieve the best results.

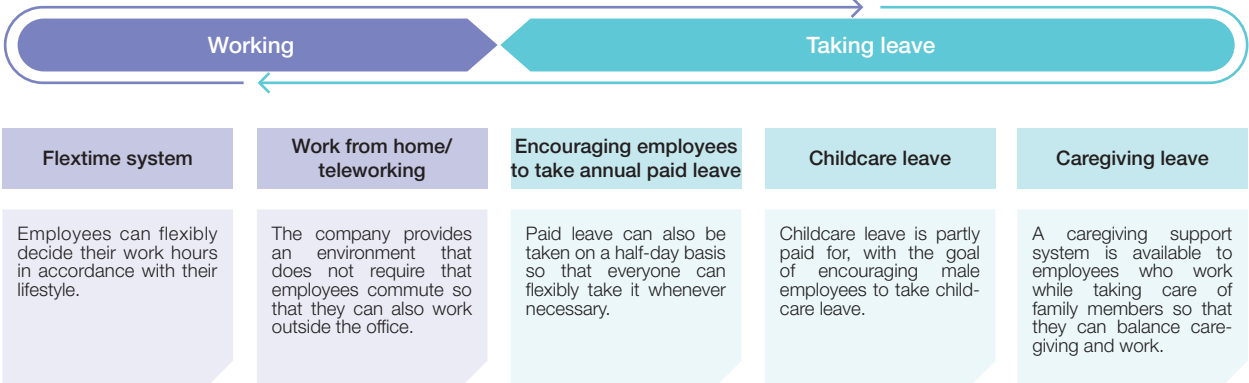
Percentage of female employees taking childcare leave  
**100** %

Percentage of male employees taking childcare leave  
**37** %

Return-to-work rate (after female employees take childcare leave)  
**100** %

Percentage of paid leave taken  
**71** %

Work-life balance



## Occupational Health and Safety

The Nihon Parkerizing Group strives to maintain and promote every employee's physical and mental health by enhancing tangible aspects (e.g., facilities and environment) and intangible aspects (e.g., health management) so that employees can exercise their full potential safely and comfortably.

### Health and Safety Policy

The Nihon Parkerizing Group has established a Health and Safety Policy to ensure all employees and parties involved, including subcontractors, know the importance of preventing occupational accidents. They prioritize ensuring safety and health for a safe and comfortable work environment.

#### Health and Safety Policy

1. The Nihon Parkerizing Group will place the highest priority on the safety and health of all of its employees. It will be committed to providing a safe and secure work environment and promoting mental and physical health.
2. The Nihon Parkerizing Group will take appropriate preventive measures for health and safety and strive for continuous improvement.
3. The Nihon Parkerizing Group will comply with all laws and regulations regarding health and safety.

### Physical and mental health management

We provide advice and support for health management through interviews with industrial physicians to help employees maintain and improve their health. Believing that it is of utmost importance for employees to understand, maintain, and improve their health status, we encourage employees to receive regular health checkups, aiming for the rate of employees receiving the checkups to be 100%.

We provide employees with an opportunity to have stress checks once a year to prevent mental health problems. Employees who are highly stressed in the stress check are encouraged to have an interview with an industrial physician. We also conduct group analyses of offices and plants in addition to analysis of individuals and conduct hearings as necessary to improve the workplace environment.

### Risk assessment (chemical risks and health and safety risks)

#### Chemical risk assessment

Using CREATE-SIMPLE, an assessment tool created by the Ministry of Health, Labor and Welfare, for detailed risk assessment, we estimate the risks and harmfulness of chemical substances in work environments and seek to ensure the safety and health of employees.

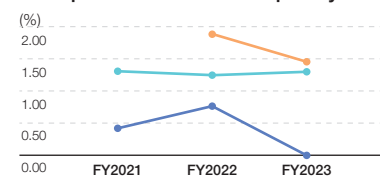
#### Health and safety risk assessment

To prevent serious accidents and identify risks of hazardous work, we assess the safety and health risks of our test and research operations, manufacturing plants and processing plants. Risk assessments are conducted at our different workplaces in accordance with the risk assessment criteria defined by the health, safety and environment manual and referencing the Japan Industrial Safety & Health Association's risk assessments. The status of these assessments is checked through internal auditing and other means.

### Creation of safe and comfortable workplaces

A safe work environment is essential for employees to perform their duties peacefully. We are proactively improving our workplace environment to create a pleasant workplace. In addition, all employees and related parties, including subcontractors, engage in safety activities together to achieve zero accidents.

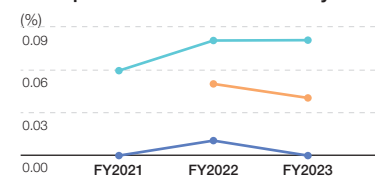
#### Occupational accident frequency rate



— Nihon Parkerizing alone — Nihon Parkerizing + 8 domestic Group companies<sup>1</sup> — Total for the manufacturing industry<sup>2</sup>

Occupational accident frequency rate = (Number of casualties / Gross working hours) × 1,000,000

#### Occupational accident intensity rate



Occupational accident severity rate = (Number of work-days lost/Gross working hours) × 1,000

<sup>1</sup> Nihon Parkerizing Co., Ltd., Parker Engineering Co., Ltd., Parker Processing Co., Ltd., Oita Parkerizing Co., Ltd., Komatsu Parkerizing Co., Ltd., Japan Kanigen Co., Ltd., Hamamatsu Netsushori Kogyo Co., Ltd., Millon Chemicals Co., Ltd., and Kyodoyuso Co., Ltd. Some of these companies have been added since fiscal 2022 and include contractors.

<sup>2</sup> Source: Overview of the Ministry of Health, Labor and Welfare's whitepaper survey on trends of industrial accidents (survey of business establishments (with 100 or more workers each) and survey of the construction work, general including public and private construction work)

## Supply chain management

The Nihon Parkerizing Group aims to build a sustainable supply chain. To this end, we have established close cooperative relationships with our suppliers. We are working to build resource management, production, and supply systems to realize a recycling-oriented society. In addition, to build a stable supply system, we are strengthening our understanding of and remedies against risks in procurement.

### Procurement Policies and promotion of CSR procurement

The Nihon Parkerizing Group and its suppliers have established Procurement Policies and Green Procurement Guidelines to ensure sound procurement activities in compliance with laws and regulations and with environmental considerations, respect for human rights, and fair trade. Based on these policies, we promote CSR procurement to fulfill our social responsibility as a company. In addition, we formulated the Quality Assurance Manual for Purchased Raw Materials and informed our suppliers of the manual.

#### Procurement Policies

1. The Nihon Parkerizing Group aims to realize coexistence and co-prosperity with suppliers based on mutual trust.
2. The Nihon Parkerizing Group will provide opportunities for procurement transactions to all suppliers and select them fairly and honestly, considering quality, price, delivery time, and other factors.
3. The Nihon Parkerizing Group will comply with domestic and foreign laws, regulations, and social norms and request that its suppliers comply with the same rules and regulations.
4. The Nihon Parkerizing Group is committed to sustainable procurement activities, fully considering the environment, human rights, occupational health and safety, and corporate ethics.

### Supplier engagement

We conducted a questionnaire to promote the mutual understanding between us and our suppliers. More than 80% of the suppliers responded to it.

We sorted the responses and concluded that procurement that is environmentally and socially friendly and sustainable is essential. Consequently, our procurement activities consider the procurement of human rights-oriented, sustainable palm oil, the sustainable use of water, biodiversity, soil contamination, air pollution and other matters.

#### Hot Topic: CSR procurement guidelines

In fiscal 2024, we will establish and disclose CSR Procurement Guidelines, which take into consideration human rights, forced labor, occupational safety and health and other environmental and social issues, in addition to the existing Procurement Policies and Green Procurement Guidelines. As a part of the efforts to share these new guidelines, we will conduct a CSR procurement self-assessment survey.

### Risks and remedies in procurement

In recent years, the environment surrounding corporate activities has significantly changed, and the future remains uncertain, mainly reflecting the growing geopolitical risks in addition to climate change and increasing natural disasters.

Our business performance has also been severely affected. For example, the soaring prices of raw materials, including phosphoric acid, which is a primary material, had a downward impact on our profit. Given this situation, we continue to step up measures to identify risks in our supply chain in a timely manner and take steps to improve them from the perspective of our business continuity plan (BCP).

#### External environment affecting procurement

- Procurement uncertainty caused by geopolitical risks
- Delivery delay resulting from unexpected equipment trouble
- Delays or suspension of deliveries resulting from natural disasters
- Delivery time affected by logistics problems



## Quality Assurance

The Nihon Parkerizing Group is committed to technological innovation and quality improvement to provide products and services that consistently exceed the expectations of customers and society. The Group provides products, toll processing and technical support with reliable quality to our customers through continuous improvements to our quality management system, compliance with legal and regulatory requirements, and fair and sincere corporate activities.

### Quality Assurance System and Quality Policy

Based on a policy of customer focus, the Nihon Parkerizing Group is stepping up initiatives to create its Group-wide quality assurance system through quality audit activities and quality training not only within the Group but also at domestic and overseas affiliates to provide products, toll processing and technical support that earn the trust and satisfaction of customers.

#### Quality Policy

The Nihon Parkerizing Group strives to provide products and services that exceed the expectations of society and customers, as well as quality improvement and technological innovation in its efforts to enhance customer satisfaction.

1. We will provide reliable quality to our customers by continuously improving our quality management system.
2. We will comply with legal and regulatory requirements and provide our customers with safe and reliable products and services.
3. We will strive to earn the trust of our customers by thoroughly preventing the recurrence and occurrence of problems.
4. We will enhance the transparency of our quality assurance system and conduct fair and sincere corporate activities.

### Quality management system

All of our plants in both the chemical and toll processing businesses have obtained ISO 9001 certification. Under the ISO 9001 fundamental principles of customer focus and improvement of customer satisfaction, we have clarified our procedures for providing better products to our customers and implemented the PDCA cycle, thus advancing improvement initiatives on an ongoing basis.

As part of our commitment to improving quality, we specify the scope of these procedures (the plants they will be implemented at) and have also acquired IATF 16949 certification for the automotive industry and JIS Q 9100 certification for the aerospace industry. Some of our products are ISO 13485 certified, a medical device industry certification. Overseas, we are working to obtain ISO 9001 certification at all our affiliates. We are striving to build a system that will enable us to meet global quality requirements.

#### Rate of acquisition of ISO 9001 certification (as of July 31, 2024)

##### Non-consolidated

**16 plants in total: 5 product manufacturing plants and 11 toll processing plants**

##### Domestic consolidated subsidiaries

**10 companies in total that are engaging in equipment manufacturing/ product manufacturing/ processing**

\* Accreditation status of ten of our 13 domestic consolidated subsidiaries (excluding Parker Giken Kogyo, Kyodoyuso, and Ozeki Chemical Industry, which do not engage in any of the above businesses) (One of the ten companies has yet to obtain the certification.)

##### Overseas consolidated subsidiaries

**17 companies in total, which are engaging in engineering/product manufacturing/toll processing**

\* Accreditation status of 17 principal overseas consolidated subsidiaries (including IATF 16949 certification, not yet acquired by one of the companies)

See our quality management system certifications on our website.



Chemicals business



Toll Processing Business

100%

90%

94%

### Quality auditing

We conduct internal quality audits. We seek to provide products and services that consistently exceed the expectations of customers and society and evaluate the appropriateness and effectiveness of our quality assurance system. Through these activities, we strive to ensure quality so that we earn the trust of our customers.

The internal quality audits check the operation of our quality management system (QMS), our corrective actions to prevent nonconformities and their effectiveness in both our chemicals business and our toll processing business. The results of these checks are reported during management reviews. Information about corrective actions to address identified nonconformities is shared with other sites to prevent similar issues.

## How We Create a Safe and Reliable Workplace

The Nihon Parkerizing Group is working to ensure the safety and reliability of its production activities by strengthening its quality control of manufacturing and processing in the chemicals and toll processing businesses by reducing the hazardous work that on-site workers must do and improving their work environment.

### Reliability is achieved by enhancing manufacturing quality control

We bolstered quality control with standardized process audits of our domestic manufacturing plants, affiliates, and subcontractors to advance sustainable resource management, production, and transportation. We plan to expand this initiative to our suppliers to strengthen our relationships with them.

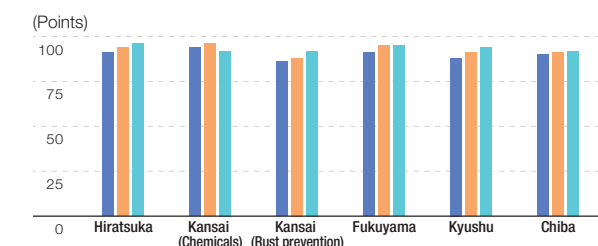
#### Results of standardized process audits at manufacturing sites in FY2023

Domestic manufacturing plants: 6 locations -- All are excellent plants\*  
Plants of domestic affiliates: 3 locations -- Excellent or certified plants  
Plants of overseas affiliates: 9 locations -- Excellent or certified plants  
Domestic transportation contractors: 5 locations -- Excellent transportation contractors.

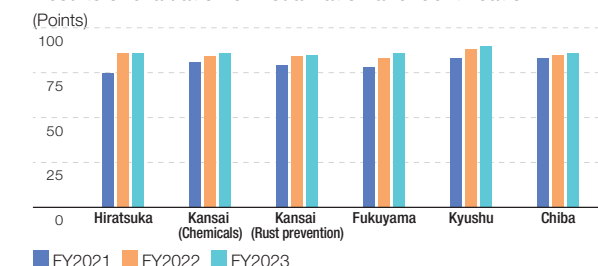
\* The judgment was made through audits that followed internal evaluation procedures and standards.  
(80 points or above: Excellent plant, 60 points or above: Certified plant)

#### Evaluation results of standardized process audits of domestic manufacturing plants

Results of evaluation of manufacturing and equipment conditions



#### Results of evaluation of visualization and identification



\* Domestic manufacturing plants: Hiratsuka, Kansai, Fukuyama, Kyushu, and Chiba

### Safety is ensured by reducing hazardous work

We conduct risk assessments of our product manufacturing processes to reduce hazardous work. We engage in continuous activities, such as providing safety training and proposing improvements to reduce hazardous work for on-site workers, aiming to eliminate dangerous work.

### Initiatives for a circular economy and the reduction of GHG emissions

Aiming to make our plants environmentally friendly, we promote initiatives for a circular economy and the reduction of GHG emissions.

Examples of major initiatives	1) Recycling waste wood pallets	4) Planning gasification of heat transfer oil generated from a plant and steam boilers
	2) Replacing polyethylene tanks with 18-liter metallic cans as a raw material container	5) Promoting the use of LED lighting in factory offices
	3) Recycling product drums	

### Compliance initiatives

#### Enhancing quality control

Nihon Parkerizing distributes the Handbook for Preventing Inappropriate Quality-related Actions, which includes illustrations of inappropriate acts, to employees to prevent such acts. The Change Management Handbook is issued to prevent defects resulting from a change and to deter the scope of investigation in the event of a defect. We have been reinforcing

**Comprehension test results** FY2022 Eligible employees: 438 Percentage of test takers: 98.8% (437) 100% of the test takers passed  
FY2023 Eligible employees: 372 Percentage of test takers: 100% (372) 100% of the test takers passed

our quality control so that we can ensure stable quality.

We conduct tests to determine employees' degree of understanding of the Handbook for Preventing Inappropriate Quality-related Actions with the goal of ensuring that employees throughout the Group know the handbook and that instructions are thoroughly followed.

\* Pass-fail criterion: Achieving a score of 60 points or higher  
Nihon Parkerizing Co., Ltd. Integrated Report 2024

## Corporate governance

At the Group, we believe that strengthening our internal control system and enhancing our corporate governance is essential in our aim to continuously grow and develop while fulfilling our social mission and responsibilities guided by our corporate philosophy, “We are contributing to the effective use of limited resources on planet Earth, creating new value of resources through surface modification of all kinds of materials, preserving the global environment, and realizing an affluent society.” We are pursuing initiatives for this purpose.

### History of Governance Enhancement

- June 29, 2016** — Introduction of a performance-linked stock compensation plan using a trust for directors
- June 29, 2017** — The transition from a company with a board of company auditors to a company with an Audit and Supervisory Board
- June 27, 2019** — Introduction of an executive officer system
- August 5, 2022** — Establishment of a Nomination and Remuneration Committee

### Corporate governance structure

In 2017, we transitioned to a company with an Audit and Supervisory Board to strengthen our corporate governance and improve our corporate value by enhancing the audit and supervisory functions of the Board of Directors.

We have also introduced an executive officer system to separate the management decision-making and supervisory functions from the business execution functions, thereby accelerating decision-making, improving management efficiency,

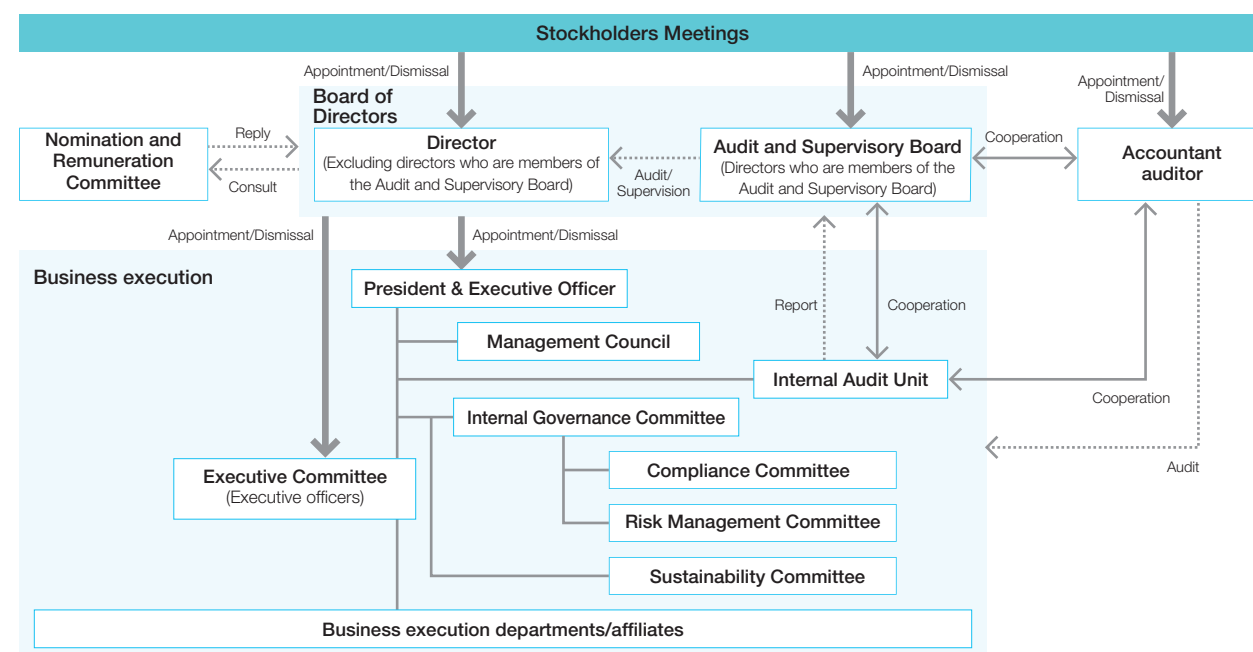
and clarifying responsibility for business execution.

Of our ten directors, five are outside directors. They are designated as independent directors under the Tokyo Stock Exchange (TSE) rules and registered with TSE. In addition, one of them is a female director.

**Outside Director**  
**5** / 10 directors

**Female directors**  
**1** / 10 directors

Corporate governance structure (As of July 5, 2024)



### Board of Directors

The Board of Directors consists of ten directors (including five outside directors) and meets monthly in principle. Kazuichi Satomi, Chairman, chairs the Board of Directors. It deliberates on essential matters stipulated in the Articles of Incorporation and the Board of Directors Regulations. It makes management

decisions to enhance the long-term corporate value of the Group as a whole. The Board of Directors also supervises the status of business execution by separating the management decision-making and supervisory functions from the business execution functions and clarifying responsibilities.

### Audit and Supervisory Board

The Audit and Supervisory Board comprises four members: one director and three outside directors. Masaharu Kubota, an outside director who is an Audit and Supervisory Board member, chairs the Board. It meets monthly in principle. Directors who are members of the Audit and

Supervisory Board attend meetings of the Board of Directors and express their opinions as appropriate. They also conduct audits, for instance, by examining essential documents, visiting business offices, and inspecting subsidiaries. In addition, accounting matters are regularly reported to the Audit and Supervisory Board by the designated CPA.

### Executive Committee

The Executive Committee consists of eleven executive officers and meets monthly, in principle. Masayuki Aoyama, the Representative Director, President, and Executive Officer, chairs the Board. Its purpose is to discuss and resolve

critical executive policies and other matters based on the basic guidelines decided by the Board of Directors, as well as to discuss management matters to be submitted to the Board of Directors in advance and report as necessary.

### Internal Governance Committee

To carry out internal control, the Company has established the Internal Governance Committee, chaired by the President and Executive Officer and composed of directors, and

the Risk Management Committee and Compliance Committee as its subordinate organizations, aiming to build a more effective governance system that includes Group companies.

### Sustainability Committee

We established the Sustainability Committee to strengthen our sustainability efforts, further enhance our corporate value in the future, and identify and address critical social issues on an ongoing basis.

The President and Executive Officer chairs the committee, which consists of five members: the President, Chairman, Representative Director and Vice President, Managing

Executive Officer, and an Executive Officer. It deliberates on sustainability activity policies, the promotion and management of the progress of various sustainability-related measures, and matters related to climate change, including key issues (materiality) and KPIs.

This Committee meets quarterly and annually reports its activities to the Board of Directors.

System to ensure proper operations at group companies

We ensure the appropriateness of the business operations of Group companies, which are regulated by a range of regulations established by each Group company based on the Group company principles of conduct, which serve as a code of conduct that applies to all Group companies.

The Company manages the Group companies through a system of approval and reporting to the Company based on the subsidiary management regulations. It monitors the

management of the Group companies as necessary.

If a Group company determines that the Company's management guidance violates laws and regulations and poses a compliance problem, it may report this to the Compliance Committee. The committee may report the Group company's report to the Audit & Supervisory Board promptly and present its opinions. The Audit & Supervisory Board may state its opinions and request that the Company develop improvement measures.

Nomination and Remuneration Committee

The Board of Directors' decisions on the nomination and remuneration of directors follow recommendations by the Nomination and Remuneration Committee. To improve the effectiveness of the nomination and remuneration of

directors, we have voluntarily established a Nomination and Remuneration Committee, which is chaired by an outside director, with the majority of its members being independent outside directors.

Expertise and experience of directors (skill matrix)

To ensure accurate and prompt decision-making and supervision toward the realization of our corporate philosophy and long-term vision, our Board of Directors has

established a skill matrix of knowledge, experience, and abilities required of directors. It intends to ensure a balance and diversity of skills on the Board of Directors.

Skills	Experience, knowledge, and abilities of the expected skills
Corporate management	Experience as a (representative) director of a company, management performance, and experience and knowledge in business management
Marketing/sales	Experience and knowledge in the marketing and sales field
Development/technology	Experience and knowledge in development and technology fields
International/global	Experience in overseas business, knowledge of international affairs, culture
Finance/accounting	Qualification as a Certified Public Accountant, experience and knowledge in the field of finance and accounting
Legal affairs/compliance	Attorney's license, experience and knowledge in the field of legal affairs and compliance

Name	Corporate management	Marketing/sales	Development/technology	International/global	Finance/accounting	Legal affairs/compliance
Kazuichi Satomi	●		●	●		
Masayuki Aoyama	●		●	●		
Hiroyasu Tamura	●				●	
Yasumasa Fukuta	●	●				
Shimako Emori (outside director)	●					●
Tatsuya Mori (outside director)	●				●	
Masaharu Kubota (outside director)						●
Hayato Hosogane	●	●		●		
Koji Chika (outside director)	●	●				
Shigetaka Hazeyama (outside director)				●	●	

Officers' remuneration

Policy for the determination of or the method for calculating officers' remuneration

At its meeting on March 22, 2021, our Board of Directors passed a resolution on a policy for determining the content of individual directors' remuneration. Our basic policy is to ensure that our directors' remuneration is linked to the company's performance, reflects their positions' responsibilities, and results in increasing corporate value sustainably. Remuneration for directors consists of monthly compensation, bonuses, and performance-linked stock compensation. Remuneration for outside directors and directors and members of the Audit and Supervisory Board is monthly compensation only.

Amounts of bonuses are determined comprehensively by using operating income, which is an indicator of the business performance of our main businesses, as the primary index, and by taking into account changes from the same period of the previous year.

The performance-based stock compensation plan is a system under which points are awarded based on business performance for each fiscal year, and compensation, equivalent to the accumulated points, is paid at the time of retirement. Whether or not points are awarded, and the number of points to be awarded are determined each fiscal year.

Total remuneration for directors

Executive classification	Total amount of remuneration (Million yen)	Total amount of remuneration by type (Million yen)			Number of eligible officers
		Fixed compensation	Performance-based compensation	The amount of the compensation at left is non-monetary compensation	
Director (excluding directors who are members of the Audit and Supervisory Board and outside directors)	217	152	64	24	4
Members of the Audit and Supervisory Board (excluding outside directors)	11	11	—	—	1
Outside officers	42	42	—	—	5

Evaluation of the effectiveness of the Board of Directors

Our Board of Directors conducts “a questionnaire of all directors on matters for improving the effectiveness of the Board of Directors,” including the operation of the Board of Directors meetings, the content of agenda items, and the status of supervision of business execution. Each director's self-evaluation and opinions are collected and analyzed, and the Board of Directors receives the results.

As a result of the evaluation, we have confirmed that our Board of Directors is generally effective regarding the operation of the Board of Directors meetings, the sufficiency of

prior explanations of matters to be resolved, and responses to issues raised at the Board of Directors meetings, among other aspects. On the other hand, while we have seen some progress from the previous fiscal year, we confirmed the need to continue to enhance discussions regarding human capital-oriented management and management strategies from a medium- to long-term perspective.

We will continue striving to improve the effectiveness of the Board of Directors by making improvements in issues.



## Roundtable Meeting of Outside Directors

Shimako Emori  
Outside Director

Masaharu Kubota  
Outside Director  
Chair of the Audit and  
Supervisory Board  
Chair of the Nomination and  
Remuneration Committee

We are committed to playing a role in effective governance  
to enhance corporate value.

### Governance of the Group and the effectiveness of the Board of Directors

**Emori** It has been five years since we assumed our roles as outside directors in June 2019. Mr. Kubota, how would you assess the corporate governance initiatives of the Nihon Parkerizing Group?

**Kubota** We always discuss governance from a comprehensive whole-group perspective, taking into account the management policy in the 3rd Medium-term Management Plan, which has been in effect since 2019, as well as our 3G (Global, Group, Governance) management approach. The Nihon Parkerizing Group has 41 consolidated subsidiaries, which is a more significant number compared to the size of the company. We have numerous offices in Japan and overseas. We emphasize proactively visiting these locations, asking questions from an external perspective, and listening directly to the opinions of the people on the front lines. Our audit staff is limited to four Audit and Supervisory Board members and seven Internal Audit Unit members, and we have devised ways to ensure that the audits are conducted effectively and efficiently. We regularly discuss accounting audits and internal controls with our accountant auditor. Additionally, we collaborate with the corporate auditors of the Group companies,

requesting that they report their issues and initiatives to us. Our goal is to share information throughout the Group. Our audit methodology is steadily evolving.

**Emori** What about the effectiveness of the Board of Directors? In my opinion, at our Board of Directors meetings, we engage in unrestricted and open-minded discussions where the opinions of outside directors are fully respected. What is your view?

**Kubota** The Board of Directors engages in lively and meaningful discussions each month. The status of the initiatives outlined in the Medium-term Management Plan is reported to the Board of Directors four times a year. We review our overall progress and discuss approaches to the challenges we face from perspectives different from the internal perspectives. Liaison meetings for the outside directors are held prior to Board of Directors meetings. During the past five years, we have received comprehensive briefings on the agenda items for Board meetings. The initial purpose of the liaison meetings was to bridge the information gap between inside and outside directors. In fact, the meetings

have other benefits. They enable us to discuss objective advice and opinions from an outside perspective from the early stages of preparations. Following Board of Directors meetings, we hold informal management roundtable meetings to discuss various topics, including the status of overseas subsidiaries, strategic themes for the entire Group, and future value creation. The management meetings are opportunities to learn more about the Company's current status and share our vision.

**Emori** I also believe that the management meetings are valuable opportunities. Some ideas can only emerge from a free discussion in an informal setting. I believe we can help foster appropriate risk-taking and create value for the Company's future through these discussions. Mr. Kubota, you also serve as the chair of the Audit and Supervisory Board. What are your views on having an outside director serve as the chair?

**Kubota** The Audit and Supervisory Board is made up of four members: one director and three outside directors. All of the Board members are able to express their opinions frankly. This composition, I believe, enables the director, who has expertise related to the Company's operations, and the outside directors, who have diverse perspectives as an attorney at law, a certified public accountant, and corporate executives, to engage in objective and fair discussion, which enhances the effectiveness of governance.

**Emori** I agree. I aim to actively express my opinions from an external perspective at Board of Directors meetings and on other occasions. I believe that the most significant contribution I can make as an outside director is to consistently question the current processes. I will ask, "Why is this done this way?" and "Is this the best approach?"

### Challenges to address to achieve sustainable growth

**Kubota** Last year, the Company published its first integrated report. We received reports and consulted with people from the early stages of preparing the report. What are your thoughts on the publication of the integrated report?

**Emori** I think it was worthwhile that by publishing the integrated report, we were able to increase the visibility of the company's initiatives. The integrated report made visible the contribution to the environment through surface modification technology, and in particular, the reduction of CO<sub>2</sub> emissions through product development. We were able to clearly communicate our business content and technology to the outside world. It also became a good opportunity for every employee to take pride in their daily work by reaffirming the significance of our company's existence. Our surface modification technologies silently support society. I hope that we can communicate that our technologies contribute to solving social issues more widely.

**Kubota** What do you believe are our challenges?

**Emori** I am concerned about the percentage of female employees in the Company and how they work. The percentage of women in the Company is not high. Still, when I encounter female employees, I notice that they are all very active in their workplaces. Increasing the percentage of female employees is a method of promoting diversity, but it is not the ultimate goal. It is essential that we effectively establish a system that enables each employee to work energetically and discuss whether we have done so and the

things that are required to enable each employee to maximize their potential. We then need to take action. The company comprises diverse individuals whose attributes, such as gender, age, employment position, and nationality, vary greatly. Some of them are raising children, while others are caring for elderly family members. I hope to continue to encourage this kind of diversity. Each individual can revitalize the organization by showcasing their individuality and abilities, and a positive cycle can be formed.

You have mentioned the 3Gs. I hope we will create a significant trend that brings together all of the members of the Group, aligning them in a shared direction, establishing an identity, and promoting initiatives to enhance diversity.

**Emori** Mr. Kubota, what are your thoughts on the challenges that lie ahead for the Company?

**Kubota** A company has multiple stakeholders, such as shareholders, business partners, employees, and local communities, who are directly or indirectly affected by its operations. In the long run, companies that fail to live up to the expectations of these stakeholders will not survive. I believe that our top priority should be employee satisfaction. In other words, it means that each employee must be happy before they can seriously consider the happiness of others. To achieve this, we must bear in mind that the happiness of each employee is the top priority for our company's management and that this will, in turn, lead to enhanced corporate value and ultimately increase returns for our shareholders. Our mission is to cultivate a corporate culture that supports this goal.

Board Members and Officers (As June 30, 2024)



Chairman and CEO  
CEO

Kazuichi Satomi

Attendance at the Board of Directors meetings  
12/12 (100%)

April 1985	Joined the Company
July 1987	Director of the Company
January 2000	Managing Director of the Company
June 2003	Senior Managing Director of the Company
June 2005	Vice President of the Company
April 2011	President of the Company
June 2017	Chairman of the Company
June 2022	Chairman and President of the Company
June 2024	Chairman of the Company (to present)



Representative Director  
President & Executive Officer

Masayuki Aoyama

Attendance at the Board of Directors meetings\*  
—

April 1986	Joined the Company
April 2009	Manager, Marketing Dept. of the Company
June 2011	General Manager, International Planning Dept., International Div. of the Company
April 2018	General Manager, International Management Dept., Corporate Planning Div. of the Company
June 2019	Executive Officer and General Manager of Group Management Div. of the Company
June 2022	Executive Officer and General Manager of Group Management Div. and Administration Div. of the Company
June 2024	Representative Director, President and Executive Officer of the Company (to present)



Representative Director  
Executive Vice President and Executive Officer

Hiroyasu Tamura

Attendance at the Board of Directors meetings  
12/12 (100%)

April 1983	Joined the Company
December 2009	General Manager of Accounting Dept. of the Company
June 2015	Director and General Manager of Administration Div. of the Company
June 2022	Director and in charge of Administration Div. and Group Management Div. of the Company
June 2023	Representative Director and in charge of Administration Div. and Group Management Div. of the Company (to present)
June 2024	Representative Director, Executive Vice President and Executive Officer of the Company (to present)



Outside Director  
(Audit and Supervisory Board Member)

Masaharu Kubota

Attendance at the Board of Directors meetings  
12/12 (100%)

April 1989	Joined Daini Tokyo Bar Association
April 1990	Chief of Jingumae Law Office (to present)
June 2019	Outside Director of the Company (Audit and Supervisory Committee Member) (to present)



Director (Audit and Supervisory Board Member)

Hayato Hosogane

Attendance at the Board of Directors meetings  
12/12 (100%)

April 1983	Joined the Company
November 2012	Department Manager of Chukyo Dept., Chemicals Div. of the Company
June 2015	Director of the Company and President of Thai Parkerizing Co., Ltd.
April 2019	Director and General Manager of Corporate Planning Div. of the Company
June 2020	Director (Full-time Audit and Supervisory Board Member) of the Company
June 2022	Director (Audit and Supervisory Board Member) of the Company (to present)



Director  
Managing Executive Officer

Yasumasa Fukuta

Attendance at the Board of Directors meetings  
12/12 (100%)

April 1989	Joined the Company
July 2016	General Manager of Marketing Div. of the Company
April 2019	General Manager of Chemicals Div. of the Company
June 2019	Executive Officer and General Manager of Chemicals Div. of the Company
June 2022	Director and in charge of Chemicals Div. and Commercial Processing Div. of the Company
June 2024	Director and Managing Executive Officer (to present)



Outside Director

Shimako Emori

Attendance at the Board of Directors meetings  
12/12 (100%)

October 2002	Registered as an attorney at law
September 2004	Registered as a patent attorney
March 2009	Established Ocean Law Offices (to present)
April 2009	Associate Professor of Komazawa University Law School
April 2017	Professor of Komazawa University Law School
June 2019	Outside Director of the Company (to present)



Outside Director

Tatsuya Mori

Attendance at the Board of Directors meetings  
12/12 (100%)

December 2002	Joined Aozora Bank, Ltd.
July 2006	Joined Japan Asia Investment Company, Limited
May 2010	Joined New Horizon Capital Co., Ltd.
November 2012	Established Office-Prifiss
June 2019	Outside Director of the Company (to present)



Outside Director (Audit and Supervisory Board Member)

Koji Chika

Attendance at the Board of Directors meetings  
12/12 (100%)

March 2013	Executive Officer and General Manager of the Marketing Planning Dept. of Nippon Life Insurance Company
March 2015	Executive Officer and Deputy General Manager of the Customer Service Headquarters of Nippon Life Insurance Company
March 2017	Managing Executive Officer and General Manager of the Head Office Osaka Corporate Marketing Dept. of Nippon Life Insurance Company
April 2019	Representative Director and Vice President of SEIWA BUSINESS LINK CO. LTD
June 2019	Outside Director of the Company (Audit and Supervisory Committee Member) (to present)
April 2020	Representative Director and President of SEIWA BUSINESS LINK CO. LTD (to present)



Outside Director (Audit and Supervisory Board Member)

Shigetaka Hazeyama

Attendance at the Board of Directors meetings  
12/12 (100%)

October 1997	Joined Chuo Audit Corporation
April 2001	Registered as a certified public accountant
February 2002	Joined Starbucks Coffee Japan Ltd.
January 2007	Established Hazeyama Certified Public Accountant Office (to present)
August 2017	Registered as a certified tax accountant
June 2022	Outside Director of the Company (Audit and Supervisory Committee Member) (to present)

\* This applies to Board of Directors meetings for the fiscal year held after June 29, 2023.



## Risk Management

The early detection and handling of risks is essential for the smooth operation and achievement of business. The Nihon Parkerizing Group is striving to develop and strengthen its risk management system to detect risks early enough with the potential to impede the achievement of business objectives and to respond promptly and appropriately when risks materialize.

### System for driving risk management

We have established a Risk Management Committee under our Risk Management Rules. Risk management supervisors and risk managers, who play a critical role in the risk management system, are responsible for managing the

overall risks of all Group companies. We conduct a risk survey once a year to review our risks, examine means of identifying and tackling risks, and provide internal training.

### Risk assessment and response measures

#### Risk assessment process

##### STEP 1 Collecting risk information and identifying risks

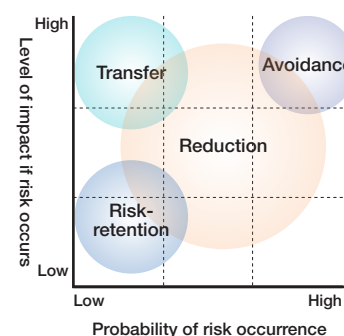
Collecting a wide range of risk cases from external information, in addition to risk survey results, and identifying risks that may have a significant impact on the company from among the collected risk cases

##### STEP 2 Risk calculation

Calculating the significance of the identified risks. Quantitative or qualitative calculations are based on two factors: the likelihood of an event occurring (probability of occurrence) and the magnitude of the impact that will be given if an event occurs (level of impact).

##### STEP 3 Risk assessment

Comparing the calculated risks with predetermined risk criteria and determining the need for actions and the level of importance



#### Decision on Remedies

We formulate measures to address each significant risk.

### Business continuity plan (BCP)

To fulfill our corporate social responsibility, we have prepared and regularly reviewed a business continuity plan (BCP) to minimize damage and ensure business continuity and an early recovery during a disaster or other emergency. We are also taking steps to strengthen our business continuity management (BCM) by conducting earthquake response drills, among other initiatives. At Nihon Parkerizing, the basic policy we adopt in our measures to address disasters is to (1) protect the lives of employees and their families, (2) strive to

preserve management resources, and (3) contribute to business continuity and early recovery. We have established a disaster control manual and operate according to it. We have also introduced a system for confirming employees' safety and health status as part of our measures to tackle disasters and pandemic diseases. This system enables us to promptly check employees' safety and health status during an earthquake, pandemic or other emergency.

### Information security

We take the following approaches to address information security risks that have been increasing in recent years, such as cyber-attacks and conventional information security risks.

#### Three approaches to information security measures

- 1 Establishing and continuing to review management systems and internal rules related to information security
- 2 Implementing and continuing to review technical and physical measures
- 3 Improving information security literacy through information security training and drills and continuing to review training plans\*

\* We are taking initiatives to raise information security awareness, including periodic training for officers and employees and drills on targeted e-mail attacks.

## Compliance

The Group is committed to being a corporate group trusted by its stakeholders. For this purpose, we fulfill our corporate social responsibilities while complying with all laws and regulations in our business activities. Through various systems and initiatives, we strive to raise awareness of compliance issues and foster a sound corporate culture.

### System for driving compliance

We have established a Compliance Committee to establish, maintain, and review our compliance system under the Basic Compliance Rules. Such efforts are also regularly reported to the Internal Governance Committee.

### Promoting compliance

Recognizing the social responsibility that corporate activities provide, we have distributed a Code of Conduct for Executives and Regular Employees that defines the proper behavior expected of executives and employees. We ensure that all executives and employees in Japan and overseas are

fully informed of the Code of Conduct. We are thus fostering a corporate culture that does not tolerate misconduct. In addition, we have established Employment Regulations and Anti-Harassment Regulations to prevent discrimination and harassment.

### Whistleblowing system

The Group has established a reporting desk where employees can report and seek advice about incompliance and facts suspected of non-compliance. We have established a system that maintains the confidentiality of whistleblowing information, accepts anonymous whistleblowing, and otherwise complies with the Whistleblower Protection

Act to protect whistleblowers. If any problem arises that needs to be addressed, we will respond according to its significance. In the unlikely event of a human rights violation, we will take action appropriately, including actions to remediate the situation.

→ For the number of whistleblowing reports, please see page 55.

### Training and enlightenment activities

#### Activities for preventing corruption and harassment

The Nihon Parkerizing Group translates and distributes a compliance handbook and the Code of Conduct for Executives and Regular Employees in ten languages so that Group employees in each country can understand them. In addition, we hold training sessions and conduct regular training and enlightenment activities through e-learning and other means.

#### Quality compliance activities

We have introduced a Compliance and Quality Enhancement Month to undertake various initiatives in December every year to foster an awareness of compliance and quality. In FY2023, we delivered the top message, "Handling numbers accurately and carefully." We put up posters, including ones showing the quality slogan. In addition, each department determined the themes of their issues and worked on remedies and improvements. Ten Group companies also participated in the activities.

